

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

HOWELL AREA FIRE AUTHORITY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2007

HOWELL AREA FIRE AUTHORITY

AUTHORITY BOARD MEMBERS

William Bamber - Chairperson
Michael Coddington - Vice Chairperson
Mark Fosdick - Secretary
Gary McCririe - Treasurer
Robert Hanvey - Trustee
Paul Rogers - Trustee

OTHER AUTHORITY BOARD MEMBERS (non-voting)

Barbara Souchick - Assistant Secretary/Assistant Treasurer

ATTORNEY

Gentry Law Offices, P.C.

AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

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October 7, 2007

Board of Trustees
Howell Area Fire Authority
1211 W. Grand River
Howell, Michigan 48843

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements including the discretely presented component unit of the Howell Area Fire Authority as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities including the discretely presented component unit of the Howell Area Fire Authority, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other Required Supplementary Information on pages 6 through 9 and pages 30 and 31 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Howell Area Fire Authority's basic financial statements. The supplementary information presented for purposes of additional analysis are not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT
DISCUSSION
AND
ANALYSIS

Management Discussion and Analysis June 30, 2007

Within this section of the Howell Area Fire Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2007. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

Both government-wide financial statements distinguish governmental activities of the Authority that are intended to recover all or a significant portion of their costs through user fees and charges or by taxes collected. The Authority's financial reporting includes all the funds of the Authority and, additionally, organizations for which the Authority is accountable.

Fund Financial Statements

A fund is a accountable unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Authority has one kind of fund, governmental fund. *Governmental funds* are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail it's relation to net assets.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Financial Analysis of the Authority as a Whole

The Authority's net assets at the end of the fiscal year were \$2,039,177. This is a \$257,514 increase over last year's net assets of \$1,781,663.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	<u>6/30/2006</u>	<u>6/30/2007</u>
Current and other assets	\$ 1,068,072	\$ 1,378,363
Capital assets	<u>870,110</u>	<u>735,062</u>
Total assets	<u>1,938,182</u>	<u>2,113,425</u>
Accounts payable	73,354	12,357
Accrued expenses	45,399	42,561
Capital leases payable	<u>37,766</u>	<u>19,330</u>
Total liabilities	<u>156,519</u>	<u>74,248</u>
Net assets:		
Invested in capital assets	832,344	715,732
Unrestricted	<u>949,319</u>	<u>1,323,445</u>
Total net assets	<u>\$ 1,781,663</u>	<u>\$ 2,039,177</u>

Summary of Changes in Net Assets

	<u>6/30/2006</u>	<u>6/30/2007</u>
Revenues:		
Program revenues		
Charges for services	\$ 330,000	\$ 340,000
Operating grants and contributions	7,243	30,625
General revenues		
Fire millage	1,689,757	1,811,997
Other	<u>31,994</u>	<u>41,096</u>
Total revenues	2,058,994	2,223,718
Expenses for fire protection	<u>1,950,534</u>	<u>1,966,204</u>
Increase in net assets	108,460	257,514
Beginning net assets	<u>1,673,203</u>	<u>1,781,663</u>
Ending net assets	<u><u>\$ 1,781,663</u></u>	<u><u>\$ 2,039,177</u></u>

Changes in Financial Status and Analysis of Authority's Fund

Under fund accounting, the Authority's overall General Fund fund balance increased by \$203,626, after transferring \$164,711 into the Capital Reserve Equipment Fund. The Capital Reserve Fund also increased its fund balance by \$170,500 because no capital purchases were made during the year from the reserve fund.

Budgetary Highlights

The budget originally adopted resembles the final amended budget with some small adjustments on the revenue side for property taxes and to account for increased interest earned on cash and equivalents. The expenditures budget was amended during the fiscal year to bring the budget closer to economic reality.

Capital Asset and Debt Administration

The Authority purchased two (2) thermal imaging cameras for \$8,750 each, and a K9 Arson Detector named Bosco for \$9,540, while incurring no additional debt. The Authority still has 1 year left on the capital leases for the 3 vehicles purchased. A total of \$19,330 principal remains on the capital leases.

Economic Conditions and Future Activities

Future operations will be funded primarily by property taxes collected. However, the Authority has dedicated 0.1 mills of these collections to be set aside for future capital improvements. For the year ended June 30, 2007 a total of \$164,711 was collected for these improvements. The amount collected for these capital improvements is expected to increase slightly over the next year and then level out based on current economic conditions.

Effective July 1, 2007, the Howell Fire Authority is no longer contracting with the Brighton Area Fire Authority to cover 50% of Genoa Township. This will mean a loss of a revenue stream approximating \$340,000. Management is working on a plan to offset future expenses to help reduce the financial impact to the Authority.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Howell Area Fire Authority at 1211 W. Grand River, Howell, MI 48843.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL STATEMENTS

HOWELL AREA FIRE AUTHORITY
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Primary Government	Component Unit -
	Governmental Activities	Hazardous Materials Fund
ASSETS		
Cash and cash equivalents	\$ 1,306,491	\$ 50,254
Accounts receivable	5,875	7,000
Prepaid expenses	65,997	2,868
Capital assets - net of depreciation	<u>735,062</u>	
Total assets	<u>2,113,425</u>	<u>60,122</u>
LIABILITIES		
Accounts payable	12,357	
Accrued wages	14,911	
Accrued vacation and sick	27,650	
Capital leases payable		
Current portion	<u>19,330</u>	
Total liabilities	<u>74,248</u>	
NET ASSETS		
Invested in capital assets, net of related debt	715,732	
Unrestricted	<u>1,323,445</u>	<u>60,122</u>
Total net assets	<u><u>\$ 2,039,177</u></u>	<u><u>\$ 60,122</u></u>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		Total Governmental Activities	Component Unit Hazardous Materials Fund
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Fire protection	\$ (1,964,373)	\$ 340,000	\$ 30,625	\$ (1,593,748)	\$
Interest on long-term debt	(1,831)			(1,831)	
Total	(1,966,204)	340,000	30,625	(1,595,579)	
Component Unit - Hazardous Materials Fund	(16,905)		28,912		12,007
General Revenues:					
Property taxes				1,811,997	
Unrestricted investment earnings				40,188	212
Other income				908	
Total general revenues				1,853,093	212
Changes in net assets				257,514	12,219
Net assets, July 1, 2006				1,781,663	47,903
Net assets, June 30, 2007				<u>\$ 2,039,177</u>	<u>\$ 60,122</u>

The notes are an integral part of the financial statements.

FUND
FINANCIAL
STATEMENTS

HOWELL AREA FIRE AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS AND COMPONENT UNIT
JUNE 30, 2007

	Major Funds			Component Unit
		Capital Reserve Equipment Fund		Hazardous Materials Fund
<u>ASSETS</u>	<u>General</u>		<u>Total</u>	
ASSETS				
Cash and cash equivalents	\$ 1,035,138	\$ 271,353	\$ 1,306,491	\$ 50,254
Accounts receivable	5,875		5,875	7,000
Due from other funds		164,711	164,711	
Prepaid expenditures	65,997		65,997	2,868
Total assets	<u>\$ 1,107,010</u>	<u>\$ 436,064</u>	<u>\$ 1,543,074</u>	<u>\$ 60,122</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES				
Accounts payable	\$ 12,357	\$	\$ 12,357	\$
Accrued wages	12,982		12,982	
Accrued vacation and sick	27,650		27,650	
Accrued pension and withholding	1,929		1,929	
Due to other funds	164,711		164,711	
Total liabilities	<u>219,629</u>		<u>219,629</u>	
FUND BALANCES				
Unreserved	874,997		874,997	
Designated	12,384	436,064	448,448	60,122
Total fund balances	<u>887,381</u>	<u>436,064</u>	<u>1,323,445</u>	<u>60,122</u>
Total liabilities and fund balances	<u>\$ 1,107,010</u>	<u>\$ 436,064</u>	<u>\$ 1,543,074</u>	<u>\$ 60,122</u>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY
RECONCILIATION OF STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
JUNE 30, 2007

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Total fund balance per balance sheet		\$ 1,323,445
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Historical cost	\$ 2,766,855	
Depreciation	<u>(2,031,793)</u>	
Capital assets net of depreciation		735,062
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:		
Capital leases payable		<u>(19,330)</u>
Net assets of governmental activities		<u><u>\$ 2,039,177</u></u>

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS AND COMPONENT UNIT
FOR THE YEAR ENDED JUNE 30, 2007

	Major Funds			Component Unit
	General	Capital Reserve Equipment Fund	Total	Hazardous Materials Fund
REVENUES				
Fire millage	\$ 1,811,997	\$	\$ 1,811,997	\$
Donations	30,280		30,280	
Charges for services	340,000		340,000	28,000
Grant - federal	345		345	
Interest	34,399	5,789	40,188	212
Miscellaneous	908		908	912
Total revenues	2,217,929	5,789	2,223,718	29,124
EXPENDITURES				
Personnel	1,320,317		1,320,317	
Capital outlay	7,765		7,765	
Other fire protection expenditures	521,510		521,510	16,905
Total expenditures	1,849,592		1,849,592	16,905
Excess of revenues over (under) expenditures	368,337	5,789	374,126	12,219
OTHER FINANCING SOURCES (USES)				
Transfers in		164,711	164,711	
Transfers (out)	(164,711)		(164,711)	
Total other financing sources (uses)	(164,711)	164,711		
Net changes in fund balance	203,626	170,500	374,126	12,219
FUND BALANCE, JULY 1, 2006	683,755	265,564	949,319	47,903
FUND BALANCE, JUNE 30, 2007	\$ 887,381	\$ 436,064	\$ 1,323,445	\$ 60,122

The notes are an integral part of the financial statements.

HOWELL AREA FIRE AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 374,126
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Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their useful lives as depreciation expense. The amount by which capital outlays exceeded depreciation is as follows:

Capital outlay	\$ 27,040	
Depreciation expense	<u>(162,088)</u>	
Total		(135,048)

Repayment of capital lease debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets

Repayment of capital leases payable	<u>18,436</u>
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Change in net assets of governmental activities	<u><u>\$ 257,514</u></u>
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The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

HOWELL AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Howell Area Fire Authority was organized under Public Act No. 57, of the Public Acts of 1988, as amended in December of 2001. The Authority approved a fiscal year-end date of June 30. The purpose of the Authority is to provide fire protection and other emergency health and safety services. The governing board of the Authority is made up of six board members. Five of those board members come from the following incorporating municipalities:

- City of Howell
- Cohoctah Township
- Marion Township
- Oceola Township
- Howell Township

The sixth board member comes from Genoa Township which is not an incorporating municipality. A portion of Genoa Township was served by the Howell Area Fire Authority (Genoa Township is an incorporating municipality of the Brighton Area Fire Authority which contracted with the Howell Area Fire Authority). Each board member is selected by its respective municipality board of trustees.

As of July 1, 2007, the Brighton Area Fire Authority will not contract with the Howell Area Fire Authority; therefore, Genoa Township will no longer have a representative on the board.

The six board members appoint its own officers as well as select one additional non-voting member for the position of assistant treasurer and assistant secretary.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Authority. The Hazardous Materials Fund is a component unit of the Authority. Area fire departments contribute to this fund and the Haz-Mat Board is comprised of individuals appointed by Livingston County.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of net Assets and Statement of Activities) report on the Authority as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

HOWELL AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The government-wide Statement of Net Assets reports all financial and capital resources of the Authority. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Authority reports the following major governmental funds:

The General Fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Capital Reserve Equipment Fund accounts for the activity associated with the acquisition of capital assets. This fund is supported by the General Fund transfers.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.

HOWELL AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursement for the purchase of capital assets providing future benefits are considered expenditures. Any bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HOWELL AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General and Capital Reserve Funds. The budget can be amended by approval from the Authority's Board and the member municipalities. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end.

G. RISK MANAGEMENT

The Authority is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

H. ACCRUED COMPENSATED ABSENCES

The Authority has recorded a liability for compensated absences of the fire department. The policies regarding compensated absences are outlined in the Authority's "Rules of Employment".

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007 was as follows:

	Balance 7/1/06	Additions	Deletions	Balance 6/30/07
Land	\$ 433,812	\$	\$	\$ 433,812
Leasehold improvements	7,278			7,278
Vehicles and equipment	2,298,725	27,040		2,325,765
 Total capital assets	 2,739,815	 27,040		 2,766,855
Accumulated depreciation	(1,869,705)	(162,088)		(2,031,793)
 Governmental activities capital asset, net	 \$ 870,110	 \$ (135,048)	 \$	 \$ 735,062

Depreciation expense is being recorded solely for fire protection services. The Authority utilizes the straight line method to depreciate capital assets over their estimated useful lives. There is \$19,330 of capital lease long-term debt associated with these assets.

HOWELL AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - CAPITAL LEASE PAYABLE

The Authority has entered into a capital lease with Ford Motor Credit Company to finance the purchase of three Ford Expedition vehicles. The lease calls for annual payments of \$20,268 with an interest rate of 4.85% included with each annual payment. The lease expires during the year ended June 30, 2008.

	<u>Balance at 07/01/06</u>	<u>Lease Proceeds</u>	<u>Principle Paid</u>	<u>Balance at 06/30/07</u>
Capital lease payable Ford Motor Credit	<u>\$ 37,766</u>	<u>\$</u>	<u>\$ 18,436</u>	<u>\$ 19,330</u>

The following is a schedule of principle and interest payments to service the capital lease obligations of the Authority:

	<u>Capital Lease Payable</u>	
	<u>Principle</u>	<u>Interest</u>
2007-2008	<u>\$ 19,330</u>	<u>\$ 938</u>

NOTE 4 - LEASE AGREEMENTS - (BUILDINGS)

The Authority has lease agreements for buildings which house offices, equipment and vehicles. The following is a schedule of lease terms and lessors:

<u>LESSOR</u>	<u>LEASE TERMS - JULY 1, 2006 THROUGH JUNE 30, 2007</u>
1. City of Howell - Fire station and sub-station (2 buildings)	Lease charge is \$68,702
2. Marion Township - Fire Station	Lease charge is \$19,658
3. Cohoctah Township - Fire Station	Lease charge is \$12,000
4. Oceola Township - Fire Station	Lease charge is \$23,652
5. Genoa Township - Fire Station	Lease charge is \$17,176

These leases are renewed annually. The Authority does not expect a significant variance in annual commitments for the lease terms for the year ending June 30, 2008 except for Genoa Township, which will not be leased for the year ending June 30, 2008.

HOWELL AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - DEFINED BENEFIT PLAN -
MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS)

The Authority provides a defined benefit pension plan under MERS. MERS is an agent multiple-employer, state-wide, defined benefit public employee retirement plan created under Public Act 135 of 1945 and now operates under Public Act 220 of 1996. MERS was established by the State of Michigan for purposes of providing retirement, survivor and disability benefits on a voluntary basis to the State's local government employees. Under Public Act 220, MERS became an independent public non-profit corporation independent from State government. The effective date of independence was August 16, 1996, at which time MERS ceased to be a part of the State of Michigan, Department of Management and Budget.

As of June 30, 2007 the Authority had four covered employees and 80 total employees. Covered and total payrolls for the year then ended was \$206,356 and \$1,073,575 respectively. Currently there are no retirants receiving benefits from the plan. Total employer contributions made to the plan during the year ended was \$24,775. Total employee contributions were \$6,929.

At December 31, 2006, the unfunded pension liability was \$123,533, determined as follows:

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 0
Terminated employees not yet receiving benefits	0
Current employees - Accumulated employee contributions including allocated investment income	35,299
Employer financed	<u>382,473</u>
Total actuarial accrued liability	417,772
Net assets available for benefits at actuarial value	<u>294,239</u>
Unfunded actuarial accrued liability	<u><u>\$ 123,533</u></u>

HOWELL AREA FIRE AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - DEFINED BENEFIT PLAN -
MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM (MERS) (continued)

The combined change in the pension benefit resulting from benefit changes, if any, and revisions in actuarial assumptions is 0.053632.

Analysis of Funding Progress

Valuation Date <u>December 31</u>	Net Assets Available for <u>Benefits</u>	Pension Benefit Obligation <u>(PBO)</u>	Percent Funded <u>(1)/(2)</u>	Unfunded (Overfunded) PBO <u>(2)-(1)</u>	Annual Covered Payroll	Unfunded PBO as a % of Covered Payroll
2004	\$ 192,096	\$ 308,622	62%	\$ 116,526	\$ 187,775	62%
2005	240,089	357,840	67%	117,751	192,814	61%
2006	294,239	417,772	70%	123,533	206,356	60%

NOTE 6 - EMPLOYEE RETIREMENT PLAN

The Authority participates in two ICMA Deferred Compensation plans (Sec. 457) for part-time and full-time employees. Under each plan the employee is allowed to contribute pre-tax dollars up to the Internal Revenue Service limit from his or her payroll.

The Authority has also adopted a defined contribution plan (Sec. 401a) with ICMA for the benefit of its part time employees. According to the plan agreement, the Authority contributes \$1 for \$1 of the employee's Sect. 457 withholding up to 3% of gross wages for the year ending June 30, 2007. The percentage goes up to 5% for the year ending June 30, 2008.

Since the full time employees belong to MERS defined benefit program they do not belong to the defined contribution plan under 401a.

TOTAL CURRENT YEAR EMPLOYER CONTRIBUTIONS \$ 8,630

TOTAL CURRENT YEAR EMPLOYEE CONTRIBUTIONS \$ 41,882

These balances reflect contributions for the period from July 1, 2006 to June 30, 2007.

HOWELL AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 7 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority deposits are in accordance with statutory authority. The Authority maintains an imprest petty cash balance of \$250.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Component Unit</u>
Insured	\$ 200,000	\$ 200,000	\$
Uninsured and uncollateralized	1,106,491	1,128,531	50,254
Total	<u>\$ 1,306,491</u>	<u>\$ 1,328,531</u>	<u>\$ 50,254</u>

NOTE 8 - DESIGNATED FUND BALANCE

As of June 30, 2007 the Authority's fund balance was designated for the following purposes:

Capital reserve	\$ 436,064
Fire Safety House	5,740
AED's	1,780
See in the Dark	850
Dive Team	3,536
Honor Guard	478
Total	<u>\$ 448,448</u>

The designated balance is a net result of outside donations and expenditures for the above purposes, except for the capital reserve. The capital reserve balance represents a portion of the property taxes to be designated for future capital purchases.

HOWELL AREA FIRE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 9 - SUBSEQUENT EVENT

The contract between the Howell Area Fire Authority and the Brighton Area Fire Authority which provided for 50% of Genoa Township fire coverage to be done by the Howell Area Fire Authority was not renewed for the year ending June 30, 2008. In the year ending June 30, 2007 the fee received for providing these services was \$340,000. Management believes the Authority will be able to reduce expenses to help offset the loss of revenue.

REQUIRED
SUPPLEMENTARY
INFORMATION

HOWELL AREA FIRE AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Fire millage	\$ 1,820,758	\$ 1,809,308	\$ 1,811,997	\$ 2,689
Donations		30,218	30,280	62
Interest	6,000	34,000	34,399	399
Grant			345	345
Charges for services	340,000	340,000	340,000	
Miscellaneous		10,521	908	(9,613)
Total revenues	2,166,758	2,224,047	2,217,929	(6,118)
EXPENDITURES	2,344,099	2,012,838	1,849,592	163,246
Excess of revenues over (under) expenditures	(177,341)	211,209	368,337	157,128
OTHER FINANCING SOURCES (USES)				
Transfers in	400,000	(164,000)	(164,711)	(711)
Transfers (out)	(175,450)			
Total other financing sources (uses)	224,550	(164,000)	(164,711)	(711)
Net change in fund balance	47,209	47,209	203,626	156,417
FUND BALANCE, JULY 1, 2006	683,755	683,755	683,755	
FUND BALANCE, JUNE 30, 2007	\$ 730,964	\$ 730,964	\$ 887,381	\$ 156,417

HOWELL AREA FIRE AUTHORITY
CAPITAL RESERVE EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Budget Amount			Variance with Final Budget Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Interest	\$	\$	\$ 5,789	\$ 5,789
EXPENDITURES				
Excess of revenues over (under) expenditures			5,789	5,789
OTHER FINANCING SOURCES (USES)				
Transfers in	175,450	164,000	164,711	711
Transfers (out)				
Total other financing sources (uses)	175,450	164,000	164,711	711
Net change in fund balance	175,450	164,000	170,500	6,500
FUND BALANCE, JULY 1, 2006	265,564	265,564	265,564	
FUND BALANCE, JUNE 30, 2007	\$ 441,014	\$ 429,564	\$ 436,064	\$ 6,500

SUPPLEMENTARY
INFORMATION

HOWELL AREA FIRE AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES	\$ 2,224,047	\$ 2,217,929	\$ (6,118)
EXPENDITURES			
Personnel	1,377,025	1,320,317	56,708
Professional fees	42,000	32,543	9,457
Insurance - liability	45,000	39,608	5,392
Supplies	44,200	38,145	6,055
Equipment and capital outlay	48,393	7,765	40,628
Communications	10,000	8,386	1,614
Uniforms	30,000	22,995	7,005
Training	29,000	24,640	4,360
Repairs and maintenance	45,000	43,431	1,569
Unallocated	110,082	101,367	8,715
City station #20	89,244	83,567	5,677
Marion street substation #21	19,058	17,299	1,759
Oceola fire station #22	44,502	36,462	8,040
Marion township station #23	28,258	26,616	1,642
Cohoctah township station #24	20,300	18,598	1,702
Genoa township station #34	30,776	27,853	2,923
Total expenditures	2,012,838	1,849,592	163,246
Excess revenues over (under) expenditures	211,209	368,337	157,128
OTHER FINANCING SOURCES (USES)			
Transfers (out)	(164,000)	(164,711)	(711)
Net change in fund balance	47,209	203,626	156,417
FUND BALANCE, JULY 1, 2006	683,755	683,755	
FUND BALANCE, JUNE 30, 2007	\$ 730,964	\$ 887,381	\$ 156,417

HOWELL AREA FIRE AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Fire millage			
City of Howell	\$ 386,594	\$ 350,757	\$ (35,837)
Howell Township	324,464	325,899	1,435
Marion Township	395,632	404,310	8,678
Oceola Township	423,992	453,299	29,307
Cohoctah Township	114,626	113,021	(1,605)
Reserved for capital replacement	164,000	164,711	711
Grant - Homeland Security		345	345
Genoa Township contract	340,000	340,000	
Interest income	34,000	34,399	399
Miscellaneous revenue	10,521	908	(9,613)
Donations	30,218	30,280	62
	<u> </u>	<u> </u>	<u> </u>
Total revenues	<u>\$ 2,224,047</u>	<u>\$ 2,217,929</u>	<u>\$ (6,118)</u>

HOWELL AREA FIRE AUTHORITY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2007

	Amended Budget	Actual	Variance Favorable (Unfavorable)
PERSONNEL			
Salaries - fire personnel	\$	\$ 1,071,492	\$
Salaries - board		5,550	
Payroll taxes		81,891	
Health insurance		54,298	
Disability insurance		9,275	
Worker compensation insurance		64,511	
Pension		33,300	
Total personnel	<u>1,377,025</u>	<u>1,320,317</u>	<u>56,708</u>
PROFESSIONAL FEES			
Payroll administration		8,905	
Accounting services		4,380	
Auditor fees		9,275	
Computer support		6,873	
Attorney fees		2,310	
Training		800	
Total professional fees	<u>42,000</u>	<u>32,543</u>	<u>9,457</u>
INSURANCE			
General liability	<u>45,000</u>	<u>39,608</u>	<u>5,392</u>
SUPPLIES			
Office supplies		3,012	
Food and beverage		776	
Postage		1,435	
Operating supplies		32,922	
Total supplies	<u>44,200</u>	<u>38,145</u>	<u>6,055</u>
EQUIPMENT AND CAPITAL OUTLAY			
Small equipment		3,693	
Office furniture		4,072	
Total equipment and capital outlay	<u>48,393</u>	<u>7,765</u>	<u>40,628</u>
COMMUNICATIONS			
Cellular phones		8,102	
Pagers		284	
Total communications	<u>10,000</u>	<u>8,386</u>	<u>1,614</u>

HOWELL AREA FIRE AUTHORITY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
UNIFORMS			
Clothing allowance		4,452	
Protective clothing		18,543	
Total uniforms	30,000	22,995	7,005
TRAINING			
Public teaching		17,440	
Community promotion		4,578	
Seminars and conferences		2,622	
Total training	29,000	24,640	4,360
REPAIRS AND MAINTENANCE			
Repairs and maintenance - equipment		8,449	
Repairs and maintenance - radios		2,232	
Repairs and maintenance - vehicles		32,750	
Total repairs and maintenance	45,000	43,431	1,569
UNALLOCATED			
Capital lease (principal and interest) - vehicles		20,268	
Mileage		5,289	
Physicals and examinations		2,760	
Miscellaneous		914	
Bank charges		18	
Dues and memberships		1,625	
Printing and publications		3,834	
Purchases from donations		31,713	
Hazardous material projects		4,396	
Tax chargebacks		30,550	
Total unallocated	110,082	101,367	8,715
CITY STATION #20			
Grounds maintenance		1,810	
Telephone		5,382	
Utilities		16,668	
Repairs and maintenance		4,163	
Lease - building		55,544	
Total city station #20	89,244	83,567	5,677

HOWELL AREA FIRE AUTHORITY
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL (continued)
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
MARION STREET SUBSTATION #21			
Telephone		566	
Utilities		3,383	
Repairs and maintenance		192	
Lease - building		13,158	
		<u>13,158</u>	
Total Marion Street substation #21	<u>19,058</u>	<u>17,299</u>	<u>1,759</u>
OCEOLA FIRE STATION #22			
Grounds maintenance		879	
Telephone		707	
Utilities		7,731	
Repairs and maintenance		3,493	
Lease - buildings		23,652	
		<u>23,652</u>	
Total Ocala fire station #22	<u>44,502</u>	<u>36,462</u>	<u>8,040</u>
MARION TOWNSHIP STATION #23			
Telephone		424	
Utilities		4,507	
Repairs and maintenance		2,027	
Lease - building		19,658	
		<u>19,658</u>	
Total Marion Township station #23	<u>28,258</u>	<u>26,616</u>	<u>1,642</u>
COHOCTAH TOWNSHIP STATION #24			
Grounds maintenance		1,200	
Utilities		3,959	
Telephone		566	
Repairs and maintenance		873	
Lease - buildings		12,000	
		<u>12,000</u>	
Total Cohoctah Township station #24	<u>20,300</u>	<u>18,598</u>	<u>1,702</u>
GENOA TOWNSHIP STATION #34			
Telephone		2,519	
Utilities		8,158	
Lease - buildings		17,176	
		<u>17,176</u>	
Total Genoa Township station #34	<u>30,776</u>	<u>27,853</u>	<u>2,923</u>
Total expenditures	<u>\$ 2,012,838</u>	<u>\$ 1,849,592</u>	<u>\$ 163,246</u>

October 7, 2007

Board of Trustees
Howell Area Fire Authority
1211 W. Grand River
Howell, Michigan 48843

Honorable Board of Trustees:

In planning and performing our audit of the financial statements of the Howell Area Fire Authority for the year ended June 30, 2007, we came across some items which we are bringing to your attention for discussion at the audit presentation. Those items are as follows:

1. Pension Plan

In the prior year we noted to you the plan document related to the 401(a) matching contributions for part-time employees did not coincide with the intent of the Authority Board. As you requested we worked with the plan administrator to amend the plan to match the Authority's intended policy which is:

Part-time employees have the option to contribute pre-tax dollars toward a deferred compensation plan (sect. 457). The Authority will match \$1 for \$1 of the employees' contribution up to 5% of gross wages.

The amended plan has been delivered to the Chief and is available for review.

During this year's audit we found several instances where the matching contributions paid by the Authority were either understated or overstated based on the calculation. The amounts were minimal. We discussed this with management (overpayments and underpayments). Management has stated that better controls will be put into effect with the outside payroll service provider to help ensure accurate contributions by the Authority.

2. Disbursement Controls

The Authority requires two signatures on checks. Currently, the administrative assistant to the Chief has access to a stamp of the Chief's signature. We found most checks are signed by the administrative assistant and the Chief (using the signature stamp).

This procedure circumvents the policy of requiring two signatures. We suggest the administrative assistant not have access to the signature stamp since she is the second signer.

3. Postemployment Benefits - Health Care and GASB No. 45

The Authority does have a policy which will allow for retirees to receive health care benefits for life if the retiree meets certain criteria. There are no current retirees receiving this benefit.

The Governmental Accounting Standards Board has released Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions. This statement gives new guidance to governmental employers in recognizing costs of postemployment benefits such as health care. The statement is effective for the year ending June 30, 2009.

The Authority will be required to record as a liability any underfunding of the recommended contribution. The contribution amount will be calculated based on a valuation of the obligation to provide the health care benefits.

We suggest the Authority start preparing itself for this future requirement. The Authority should consider budgeting an amount to transfer into a newly created special revenue fund.

4. Communication of Significant Deficiencies and Material Weaknesses

In planning and performing our audit of the financial statements of the governmental activities of Howell Area Fire Authority as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Howell Area Fire Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Howell Area Fire Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's or detected by the entity's internal control.

We consider the following to be a material weakness of the Authority:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principals. It should be noted that a number of these journal entries were related to transactions that were unusual and infrequent in nature. The entries also include those required for the full-accrual presentation of the government-wide statements.

We would like to thank the Authority's staff and management for the cooperation and assistance provided during the audit. If you should have any questions, comments or concerns please let us know.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants